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1963

# Rural Lines

RURAL ELECTRIFICATION ADMINISTRATION • U. S. DEPARTMENT OF AGRICULTURE



## SPECIAL REPORT:



★ ★ ★ ★ ★  
HOW REA BORROWERS  
ARE ★ HELPING ★ TO  
★ REVITALIZE ★  
RURAL AMERICA  
★ ★ ★ ★ ★

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## RURAL AREAS DEVELOPMENT



Growth Through Agricultural Progress



## A Message from the ADMINISTRATOR

(Extracts from an address delivered at the annual directors' meeting of the Arkansas State Electric Cooperative, Inc., held in December 1962.)

Section 5 loan funds are a small part of our RAD efforts. Actually, since new policies were issued in July 1961, we have made only 11 such loans for a total of \$1,116,500. But they are an important part in two ways: first, their availability makes it possible for an REA electric borrower to work seriously on a project with the knowledge that Section 5 funds can be available if all else fails; secondly, these funds can sometimes fill a credit gap that must be filled if other funds, private and public, are to supply the rest of the financing.

This, then, is the first part of our RAD work: assisting REA borrowers in the development of the areas they serve in order to carry out the objectives of the Rural Electrification Act.

The second part of our RAD activities followed passage of the Area Redevelopment Act. This legislation, designed to provide special assistance to areas of greatest need, created the Area Redevelopment Administration in the Department of Commerce and called upon ARA to use the facilities of existing agencies, insofar as possible, to operate the program.

Responsibilities delegated by ARA to the Department of Agriculture insofar as they affect industries and businesses have been assigned to REA. REA receives, along with the responsibilities, funds from ARA appropriations to carry out these responsibilities.

This means that, in addition to our work with our borrowers, we assist other rural people in the ARA designated rural areas, in the development and financing of sound industries and businesses.

I do not believe any one needs to be apologetic about the distance we have travelled. Recently we asked our borrowers to report the commercial and industrial projects which they have helped to promote since July 1, 1961.

A preliminary check of the returns received in the first two weeks shows that our borrowers are using the RAD tools effectively, and creating some new tools of their own. We heard from 193 active electric borrowers, and 78 telephone borrowers. Here is what we find.

*Rural Lines*

*(Continued on page 20)*

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**Contributors to this issue:** Ken Jones

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## RAD PROJECTS MOVING ON MANY RURAL FRONTS

*The rural areas development effort is a new concept and a new approach for helping rural people to better their lot. It is the Department of Agriculture's way of aiding people who are working to help themselves. The ultimate objective is better living for rural people, both farm and nonfarm.*

*How successful is this effort, now almost 2 years old?*

*What part are REA borrowers playing in it?*

*A spot check in the files of the RAD section of REA shows that solid results are being achieved, that in area after area REA borrowers are helping to revitalize rural America.*

*Here are some of the many case histories available which prove both points.*



### LUMBER PROCESSING

Processing and marketing local agricultural products, a natural endeavor for rural areas that are trying to regain prosperity, leads the list of enterprises which REA borrowers are aiding. Many of these projects are concerned with processing timber.

How involved but necessary such projects are is illustrated in the case of Benewah County, a lumber region in Idaho. A fire burned down the mill of the county's last large employer, the St. Maries Lumber Company. It was the final step in jarring the owners

of some 14 or 15 small sawmills, all near the town of Plummer, into taking a bold new venture to halt the slide into stagnation. The idea was to build and operate—cooperatively—a planing mill that was capable of meeting, both in quantity and quality, the demands of today's markets.

Much of the county's great timber wealth is now leaving the area as raw material—as logs and rough-cut timber. Final processing is carried out elsewhere. What the association—the Benewah Lumber Cooperative, Inc.—





*Local processing of timber is a natural activity in many rural areas, but can be hazardous if capital is lacking. This lumber plant found the going rough until RAD financing and technical assistance smoothed the way. It employs many members of the local REA electric borrower which serves it.*

intends to do is restore the present rough lumber market and extend its operations toward the production of a variety of finished and semi-finished forest products. Thus the local economy will realize a larger part of the ultimate value of the raw materials it provides, and will become less vulnerable to fluctuations in raw material prices.

The projected plant will provide direct employment for scores of persons, and indirect employment for loggers, truck drivers and others throughout the area. Many of the unemployed are Indians, and for this reason the Coeur d'Alene Indian Tribal Council is investing approximately \$27,000 through the Benewah Development Corporation. The Corporation itself is raising \$31,850.

But this is only the beginning of the help the plant will receive. Since the county was eligible, because of prior designation, the Area Development Ad-

ministration is lending \$143,275; the Small Business Administration is providing \$45,000 working capital; the association itself has raised about \$15,000; and the Kootenai Rural Electrification Association has loaned \$75,000 which it received for this purpose from REA under provisions of Section 5. The village of Plummer has offered approximately 17 acres of desirable land for the project on a 50-year lease at a token rental. Total cost of the plant with machinery and other appurtenances will be \$268,550.

During the first year of operation, based on one-shift operation, the plant is expected to have a demand of 335 kw and will use approximately 58,600 kwh per month. Demand the second year is expected to rise to 750 kw and usage to 140,250 kwh per month.

In Minnesota, near the Canadian border, fire destroyed a millwork plant at Warroad. The company owning it was responsible for about 70 percent of

the business activity in the Warroad community since it also operated grain elevators, a grain and seed cleaning plant, a wholesale pulp business and a retail hardware and lumber business.

Electric supplier for these enterprises, the Roseau Electric Cooperative at Warroad, obtained a Section 5 loan to help the lumber company install electric equipment and machinery in its rehabilitated millwork plant, thereby restoring 160 jobs. The REA loan plus insurance proceeds, and a Small Business Administration loan of \$200,000, will also enable the company to expand its other operations, offering additional employment to many more local people. Private financing is supplying the working capital.

And so it goes . . . not only in Minnesota, but at Trout Lake, Idaho, where an REA borrower, Northern Lights, Inc., received permission to divert \$54,000 of a Section 5 loan granted previously to enable a lumber mill to acquire machinery for re-

moving bark from logs and for processing wood pulp chips . . . at Chatham, Louisiana, where the Chatham Telephone Company helped a lumber company obtain Small Business Administration financing in the sum of \$35,000 . . . and in many other areas.

The aid given to local enterprises by REA borrowers need not always be as substantial, or even take the form of funds. From Taos, New Mexico, comes one of many instances of this kind of nonmonetary help. Here, Terry Moynihan, energetic manager of Kit Carson Electric Cooperative, obtained Forest Service advice for one of his board members, Frank Rodarte, who wished to start a tree farm. Subsequently, a Forest Service employee helped the latter locate seedlings. As a result, Mr. Rodarte planted 3,000 seedlings and, if the venture proves profitable, will plant 10,000 more. This and numerous other ways in which Mr. Moynihan is trying to encourage new enterprises are related in the October 1962 issue of RURAL LINES.



## FARM PRODUCTS

If processed locally, a variety of other farm products can provide farmers with a better market and rural people with employment. These products range from rice to pickles.

Last October the Minnesota Wild Rice Harvesters Association, a 129-member cooperative at Deerwood, obtained from the Area Redevelopment Administration a \$29,250 loan to establish a rice processing plant. It will help stabilize a fluctuating but ever-increasing market for wild rice.

The loan will run for 15 years at an annual interest rate of 4 percent. Total cost of the Deerwood project will be \$45,000. Besides the ARA financing, the State of Minnesota will put up \$9,000; the Deerwood Area Redevelopment Corporation, a nonprofit organization, will invest \$4,500; and the Cooperative will put up \$2,500 in equity. The funds will be used for construction of the processing plant and storage facilities and to purchase land, machinery and equipment.

At Dalhart, Texas, R. L. Elliott, manager of both the XIT Rural Telephone Cooperative and the Rita Blanca Electric Cooperative, REA borrowers, was prime mover in calling area redevelopment meetings which led, eventually, to the construction of an alfalfa pellet and dehydrating plant. Financing of the plant was obtained from strictly local sources. When completed, the electric cooperative will obtain a connected load of 372 h.p. plus an additional 15 kw lighting load. The telephone cooperative will put in private lines to the plant and to the office.

At Gainesville, Georgia, the Southeastern Freezer Corporation found it necessary to obtain funds to finance wiring and installation of electrically operated refrigeration equipment for a new building. Financing from other sources to purchase this equipment was not available.

The firm obtained the funds from the Jackson Electric Membership Corporation at Jefferson, which received \$137,000 from REA under the consumer financing provisions of the Rural Electrification Act. The new plant will employ 10 persons immediately, and 50 when its poultry marketing activities reach their peak.

In an area near Greenfield, Ohio, 85 workers will obtain new full-time jobs as the result of a \$212,700 ARA loan to a meat-packing plant. The loan will enable the firm to expand its hog dressing operations by constructing an additional building and adding new machinery and equipment.

Other financing has been obtained from a local bank; the Greenfield Industrial Development Corporation; and an equity investment by the company itself. Several ARA officials and RAD staff took part in preliminary

meetings to determine which firms could be helped to expand in the area, and reviewed the feasibility of expanding the hog processing operations. The general area is served by the Inter-County Rural Electric Cooperative, Inc., at Hillsboro, Ohio, but the co-op will not serve the packing plant.

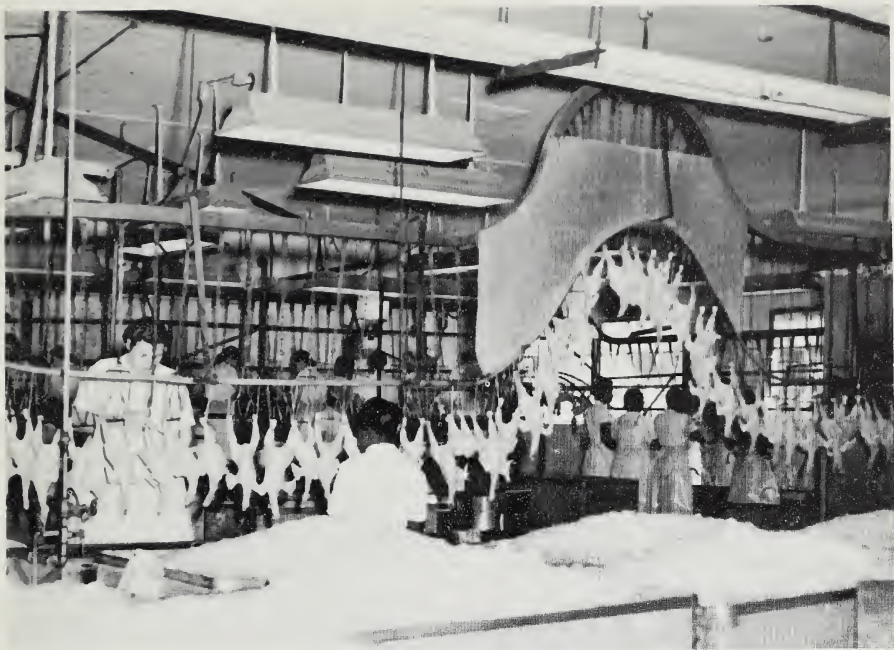
On a different level, ARA has approved a \$9,500 technical assistance study to determine the economic feasibility of establishing a cooperatively owned livestock feedyard and slaughterhouse complex in North Dakota.

Requested by the Farmers Union Livestock Cooperative Feeding Association and the North Dakota Farmers Union, the study will be conducted by the North Dakota Agricultural Experiment Station at Fargo, under the supervision of the Farmer Cooperative Service, U. S. Department of Agriculture. Melford C. Hanson, manager of the Verendrye Electric Cooperative at Velva, was instrumental in arranging meetings between Washington RAD staff and community leaders. If the results of the study are favorable, it could generate 1,500 direct new jobs in feedyard employment and 300 direct jobs in slaughtering facilities.

The project will analyze cattle-meat activity patterns and markets in order to improve North Dakota's potential for supplying finished livestock and carcass-type meat products. Special attention will be paid to livestock activities of the Indian reservations of North Dakota, and to ways of making them an integral part of any resulting plan. All five reservations, owing to persistent unemployment and low income, have been designated as eligible to participate in the ARA program.

In another research project, the Red River County Agricultural Improvement Association at Clarksville,





*Preparing poultry for the market is a natural industry on the Eastern Shore of Maryland, where poultry raising is a major occupation. This plant, which processes 25,000 chickens a day, buys about 192 kwh a month from Choptank Electric Cooperative at Denton, Maryland. Directors of the cooperative have been active in obtaining other industries to settle in the area.*

Texas, will establish a beef performance test center, with the assistance of a \$7,150 loan from the Area Development Administration. The aim is to upgrade the quality of beef cattle by a feed-testing program and thus add significantly to the cash returns received by the small, low-income farmers in the Red River County area. Three local banks; the Red River Industrial Foundation, a nonprofit organization; and the Association have contributed additional funds, in order to construct test barns and purchase machinery and equipment. A recommendation by REA rural areas development staff after consultation with other agencies helped get the project under way.

In Southern Iowa, an exciting new project has been launched to discover, encourage, and help market potential

agricultural inventions. The Iowa Statewide Electric Association had long felt a need for such a project, and its manager, Earl King, played an important role in furthering it. The project will cost \$65,000, of which \$50,000 will be provided by the Area Redevelopment Administration and the remaining \$15,000 by the Iowa State Development Commission.

The contract requires the Commission to set up a staff of technical experts, drawn mainly from Iowa universities and colleges and private technical organizations, who will evaluate ideas, plans, and pilot models, establish a security system to protect an individual's ideas and models, and place inventions with existing or new manufacturing plants.



### SMALL INDUSTRY

For years, Harrison County, in southern Indiana, has been plagued by unemployment and underemployment. People were constantly leaving it for better opportunities elsewhere. More than a year ago, the county was classified as eligible for ARA assistance.

One of the persons who has been fighting the trend is George Higdon, manager of the Harrison County Rural Electric Membership Corporation. With others, he formed the Harrison County Development Corporation which is now selling stock to help finance a \$800,000 project that will strip-mine a 600-acre tract of high-silica sand located two miles northeast of Elizabeth. Harrison County Rural Electric Membership Corporation has itself obtained a Section 5 loan from REA which it will loan to the Indiana Glass Sand Corporation of Corydon, Indiana, to pay for wiring, plumbing and electrical equipment. The glass sand and silica flour produced will be used in the manufacture of glass bottles and flat glass, detergents, and building plaster.

The company itself is supplying some of the capital needed, but about 60 percent of all funds required will be loaned by ARA at 4 percent interest, payable in 20 years.

Ground-breaking ceremonies for the project were held in October 1962. Among those present were an Indiana Senator; the Congressman from the District; and representatives of the Development Corporation; Office of Rural Areas Development, USDA; ARA; and SBA. The plant will be in production about October 1963.

The very first Section 5 loan made under new policies enabled the Thompson Construction Co., Inc., of Velva, North Dakota, to purchase and install electrically powered gravel crushing and washing machinery. The company, a member-consumer of the Verendrye Electric Cooperative at Velva, borrowed 62.5 percent of its needs from the cooperative when it was unable to obtain the funds from other sources, public or private.

The Velva firm anticipates that the new facilities will open up 10 new jobs in its locality, where farm production and income in the area have suffered because of the 1961 drought. Several defense and highway projects planned for the area are expected to stimulate demand for gravel, concrete and materials which the firm supplies.

Although REA policy now permits Section 5 loans to run for 10 years, the Verendrye Electric Cooperative and

the local borrower have agreed on a 5-year repayment period. The loan will be secured by a first mortgage lien to the cooperative.

Elliott County, Kentucky, has a population of 6330, of whom only 56 earn their livelihood in industry—small sawmills or coal mines. The rest are full or part-time farmers—or unemployed. However, 72 percent of the area, according to a county official, is unsuitable for farming. Floods inundate about 10 percent of the land on an average of every three years. Two percent is taken up by roads and urban communities, leaving a little more than 10 percent actually suitable for farming. One percent of this land produces tobacco, which yields more than 50 percent of the county's income. The people end up with one of the lowest per capita incomes in the United States—a little more than \$500 a year.

Of the 1254 families in the county, only 429 are not receiving some kind of public aid.

The county official wrote, "Certainly, no community or rural county needs a small factory to furnish steady employment to around 100 men more than this community does. There is an abundance of labor here. No area is more depressed. Anything you can do for us will be greatly appreciated."

This is the background that led to an ARA loan of \$167,300 to enable a firm at Sandy Hook that manufactures kitchen cabinets from local wood to expand. Additional funds are being provided by the Elliott County Local Development Corporation, two local banks, and the company itself. When the additional dry kiln, shed, and other structures are built, and machinery installed, the firm expects to add another 80 employees.

*Dedicated October 17, 1962, this new textile plant in Butts County, Georgia, employs 200 persons. The airconditioned building covers 50,000 square feet, and is served by the Central Georgia Electric Membership Corporation.*





Personnel of the Grayson Electric Cooperative Corporation at Grayson, Kentucky, and REA's RAD staff assisted the firm after its original application for Government financing had been rejected.

Any help, however minor, given to a small firm can produce welcome repercussions. Last year Herman H. Wagner, president and manager of the North Penn Telephone Company at Mansfield, Pennsylvania, an REA borrower, wrote to REA Administrator Norman M. Clapp requesting assistance for a firm in his labor-surplus area that produced, among other leather products, postal mail bags. Its low bid for a \$162,000 contract from the postal department had been rejected because of uncertainty about the availability of skilled labor.

When the REA-RAD staff discovered that the plant used skilled personnel, many of whom had been unemployed hitherto, they brought this fact to the attention of officials of the Small Business Administration. SBA thereupon issued a "certificate of competency," and the postal officials awarded the contract to the leather

firm. It meant a boon of \$60,000 to an area which needed it badly.

Williamsport, Maryland, another small community which needed aid, also benefitted, for a tannery firm located there sold \$90,000 worth of processed leather to the Mansfield company. For the telephone company, it meant an increase of \$1,000 in revenue per year. Finally, the happy conclusion has led Mr. Wagner to consider helping to form a community development organization that would investigate other ways of improving the economic health of this Pennsylvania community.

For Bedford, also in Pennsylvania, and especially for Perry C. Wilson, manager of Bedford REC and president of the Bedford Development Corporation, November 6, 1962, was a happy day. On that day the Development Corporation broke ground for a new 90,000 foot building to be occupied by a branch of the Standard Register Company. "We do not serve the industry directly," notes manager Wilson, "but we should benefit indirectly from this payroll of approximately \$750,000 per year in the county."



## RECREATION AND TOURISM

REA borrowers are becoming increasingly aware that recreation and tourism represent an important instrument for rejuvenating rural America.

Causes of the growing demand for recreation are well known: increasing population, increasing mobility, added leisure time, higher incomes. Meeting these demands creates jobs, brings in revenue from the outside, and diverts farm land to other uses in a period of surpluses.

Typical of these projects in which REA borrowers have become involved is one for establishing a ski resort at Sandpoint, in Bonner County, Idaho. The aim is to make winter use of an area which is already popular with summer tourists.

Total cost of the project, which will create 15 new jobs at the ski center and 60 in surrounding hotels and places of recreation, is \$530,000. Almost half will be supplied by the City





*With the aid of RAD financing, docks are being added to this Atlantic Coast harbor in order to enable industries to settle there more conveniently. Water sports alone can be a major economic asset for those areas fortunate enough to have unspoiled lakes, rivers or coastline.*

of Sandpoint, a local nonprofit development organization, and the recreation company itself. An ARA loan of \$320,000 will run for 20 years at an annual interest rate of 4 percent. Funds will be used to construct a central building, ski lifts, utilities to service the area, an access road and similar facilities.

Northern Lights, Inc., an REA borrower which serves the general area, expects this project to help materially in improving economic conditions in a small area plagued by substantial and persistent underemployment. Establishment of an all-season resort and recreation center will provide four additional months of employment to area workers and remove a factor causing an unbalanced economy.

A similar but much smaller project is located at Hanover, Illinois, on the banks of the Mississippi. A ski resort here obtained a loan of \$22,068 for

electric equipment from the Jo-Carroll Electric Cooperative, which in turn borrowed the money from REA. Beneficial effects on the community as well as the cooperative are already beginning to show.

Lakes and rivers form another natural attraction for tourists. One of the most interesting of these projects deals with Lake of Egypt, about 6½ miles south of Marion, Illinois. Covering 2900 acres, it was artificially created when Southern Illinois Power Cooperative built a 3,000-foot earth dam for its generating plant.

Manager Tom Clevenger, board president Ray Holt, and other community leaders recognize the tremendous potential of the lake as a means of bringing tourist money into two economically depressed counties where the lake lies. But proper development of the lake and its 93-mile shoreline requires, they believe, a study of all

factors involved—recreational, residential, commercial, industrial, and agricultural. The cooperative has engaged Illinois Recreation Resources, Inc., to make such a study. Composed of substantial and resourceful citizens interested in the proper development of Southern Illinois, this new, non-profit organization will utilize the resources of Southern Illinois University at Carbondale in making the study. Rapid action is required, if only because rules and regulations must be drafted for 1963 fishermen owing to the relationship of the lake to the generating plant.

In other parts of the country also, it is being discovered that dams erected for other purposes are magnets for fishermen and tourists. At Woodville, Texas, the McGee Bend Dam, now being completed, is expected to attract a steady clientele. This fact helps to insure feasibility of a loan of \$420,000 made by ARA to Woodville Community Inn, Inc., that will provide 75 direct new jobs. The loan will run for 25 years and bear an annual interest rate of 4 percent.

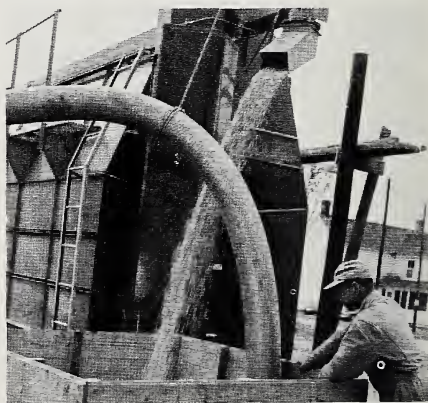
Total cost of the 72-room inn will be \$700,000. Local banks are putting up \$150,000, plus \$25,000 for working capital. Community residents are raising an additional \$130,000 as equity capital as well as some working funds.

The Woodville Inn is the first project endorsed by the East Texas Tourism Association to help expand the economy of the area. M. T. Potts manager of the Sam Houston Electric Cooperative which serves the general area but not the inn itself, was among community leaders who helped to launch the enterprise and raise the local money required.

The commercial potentialities of recreation, as has been already indicated, can take many forms. P. E. Dunkleburger, manager of Kiwash Electric Cooperative at Cordell, Okla-

homa, has reported to RAD staff the case of a local entrepreneur who bought an abandoned school and turned it into a commercial recreation center. Rather than being torn down, as is happening to so many schools in rural America, this one is providing recreation facilities which will add income to the community and a good load for the electrical cooperative.

As individual farmers and ranchers become aware of the need for additional recreational facilities in this country, and of their potential for increasing income, some of them will no doubt desire to discuss this matter with managers and directors of the REA borrower in their territory. For this reason, REA borrowers are urged to obtain, and keep a supply on hand of, a 56-page booklet recently issued by the Department of Agriculture. Called *Rural Recreation, A New Family-Farm Business*, it describes scores of actual instances of farmers who have converted their property, or part of it, to vacation enterprises. Various ways in which USDA can assist persons who want to emulate them are indicated. The booklet may be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. for 25 cents.



*Corn shelling—the first step in preparing a natural economic resource for an almost limitless number of uses.*



## COMMUNITY FACILITIES

A community without an adequate water and sewage system, hospitals, and other community facilities is seriously handicapped when it attempts to start new industries from local funds or induce an outside industry to establish a branch there. This situation prevails in many communities which have been sapped by departing populations, fixed low tax bases, and reduced business opportunity.

Many REA borrowers have recognized this problem and are attempting to help solve it. In Mississippi S. D. Wolfe, manager of the Northeast Elec-

tric Power Association at Oxford, and chairman of the local rural areas development committee, helped to obtain funds from the Farmers Home Administration in order to establish two rural water systems in the area.

In Chesterfield County, South Carolina, several towns and communities have applied to ARA for loans primarily to finance water and sewage systems. At Jefferson, a textile mill will add 100 employees as a result of an ARA loan for a town water system.

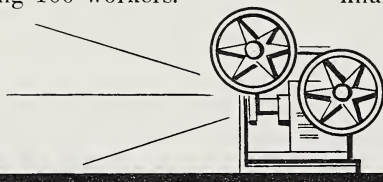
At Pageland, two ARA proposals resulted from activities of the Lynchess River Electric Cooperative and from



*Most important perhaps of all recent Federal legislation pertaining to rural areas development is the Public Works Acceleration Act. Construction of water facilities such as this one, Metter, Georgia, and of many other community improvements can be speeded by these Federal grants. Pineland Telephone Cooperative at Metter has played an exemplary role in supporting the trend toward diversified industry throughout the entire area.*



visits of REA-RAD personnel to this area. One—already granted by ARA—calls for a loan of \$152,000 to improve water and sewer facilities of the town, so that one textile plant there can expand its sewing room and establish a dyeing and finishing section. The other is for a loan of \$32,150 for a period of 25 years to enable a new company in Pageland renovate and equip an old, brick school building and convert it into a small plant to manufacture children's outer garments. A local bank, the applicant's funds, and the Pageland Improvement Committee will supply the rest of the funds necessary. It is expected that this plant, after one year of operation, will be employing 100 workers.



#### MANPOWER TRAINING

In many rural areas, farmers are finding it no longer feasible to farm their small patches of land. At the same time they find it difficult to make a living away from the areas where they were born and raised. The necessity arises, therefore, for training them for new occupations which they can start for themselves, or for whatever new industries enter the area.

There is also a surplus of farm youth who cannot raise sufficient capital to purchase large farming enterprises. They, too, require training for other occupations.

The Area Development Act took the first step toward meeting these needs with a provision for financing brief courses for persons in designated areas. The Manpower Development and Training Act expanded this provision by providing for training persons in all areas up to periods of a full year.

In Kentucky, the problem concerns a water supply for the unincorporated town of Richardsville, north of Bowling Green. It has 114 families. The school in this village has to haul most of its water, leading the school committee to offer as much as \$20,000 toward a new water system. The problem was discussed in December 1961 between Charles M. Stewart, manager of Warren Rural Electric Cooperative Corporation at Bowling Green, other community leaders, and a RAD specialist who visited the area. It appeared that the best source for water would be the Barren River, 8,000 feet from the town. A Federal loan and a Federal grant made in late 1962 will finance the new water system.

The program is too new as yet to show any far-reaching results, but recent reports show that ARA funds are already being used to train electrical repairmen, auto mechanics, nurses aides, cooks, clerks, and small-motor mechanics.

One of the first to take the lead in arranging such programs was Joseph F. Gallagher, manager of the Socorro Electric Cooperative at Socorro, New Mexico, and chairman of a local committee that determined the need for ARA assistance in his area. As one result of their efforts, a class in secretarial skills was started at the Socorro high school in April 1961, with 20 students in attendance. Representatives of the State employment service who visited the school were confident that the new secretaries, after finishing their 16 weeks of schooling, would be absorbed into the labor market with little difficulty.





## COMMUNITY RESPONSE

Cheyenne County, Nebraska, and Dooly County, Georgia, are just about as different as any two rural counties in the United States can be.

But they had one thing in common—a need for area development.

How they responded to this need illustrates the great diversity of action that is possible.

From 1950 to 1960, Cheyenne County, Nebraska, showed a population increase of 21.6 percent. But the county's residents were aware of the fact that this was largely due to oil activity, and that the county's permanent rural population was decreasing. A high percentage of the young people of the county were leaving shortly after graduation and not planning to return.

With these facts and other discouraging statistics at hand, a meeting was held to explore the possibilities of organizing a Cheyenne County Rural Areas Development program. This meeting, held October 18, 1961, was attended by representatives of the Southern Panhandle RAD Committee, Federal Extension Service, and interested citizens from all over the county.

A representative group was picked to form a county committee, which determined the various areas of need and elected four committees with direct program responsibilities. Their subjects were

1. Business and industrial development.
2. Agriculture, irrigation and conservation.



*On this site, about two miles northeast of Elizabeth, Indiana, a project will strip-mine a large silica-sand deposit. An ARA loan will provide 60 percent of the funds required; the rest will come from the Harrison County Development Corporation, the company itself, and a Section 5 loan from Harrison County REMC, at Corydon, Indiana. Present at ground-breaking ceremonies were a U. S. Senator and Representative, company and Federal officials.*

3. Youth, education and recreation.
4. History and tourism.

Due to the diversification of agriculture, subcommittees were named to work specifically on livestock, crops, irrigation, and conservation.

In the year that has passed there have been many meetings and many people participating. It is estimated that over 100 county residents have worked on committee projects to date.

In the area of business and industrial development, a group has formed a local corporation which will produce a building board made of wheat straw. The group has incorporated, raised a considerable portion of the needed funds through stock sales, purchased land and machinery, and is in the process of building a plant in Dalton to produce the product. The plant will serve the entire State of Nebraska and parts of Kansas, Colorado and Wyoming. It will employ over a dozen people and will provide an outlet for a considerable amount of wheat straw, in effect giving the area another cash crop.

Shortly after its organization, the livestock committee assisted with an open house at a local packing plant. The plant had been in receivership and had just been purchased and reopened under a new name. The open house gave the firm and a large number of local feeders a chance to become acquainted with each other.

The crops committee felt that the area needed assistance most in replacement crops. The potential is here for great expansion in the production of safflower, millet, flax, and other related crops, but much research work is needed on them. In mid-May the committee met with Dean Frolik at the University of Nebraska to discuss this need. Dean Frolik and Drs. Robert Cramer and Don Hanway visited Cheyenne County and inspected a potential site for a small research

and experiment station. At the moment the committee is hopeful that such a center will be located in this area.

The history and tourism committee has been instrumental in revitalizing the Cheyenne County Historical Society. It has put on an extensive membership drive for the Society and made plans to publicize points of historical interest in the county. Members carried on an extensive campaign to obtain a 1/10 mill levy to be used for the County Historical Society through a referendum last November. They already have an option on a house in Sidney, one of two remaining from the days of Fort Sidney. It is their plan to restore this home and use it as a museum.

The youth, education and recreation committee has been concerned with the need for additional facilities for technical training. Though Nebraska has a fine vocational school, it is located nearly 400 miles from Cheyenne County, and it has had to turn away potential enrollees. A group from the county chartered a bus early in June and journeyed to Milford to inspect the vocational training school there. The group, impressed with what they saw, hope to get a similar school established in their area.

These represent only a few of the projects which came before the Cheyenne County Rural Areas Development Committee in 1962. In a year's time, they proved that local people thinking and working together can begin to make their community a better place to live in, with better economic opportunities for all. The people of Cheyenne County no longer need to be sold on what Rural Areas Development can do; they are a part of the program and responsible for what it is accomplishing.

In south Georgia, Dooly County community leaders decided that they must act to stop this population decline

and bring new industries into the area. When they learned about the Area Redevelopment Act, which designated Dooly County as one of 66 counties in Georgia eligible for aid, they met and reactivated the Vienna Development Corporation that had slipped into dormancy.

At the same time they took steps, as required by the legislation, to draft a program and proposals that would be submitted to the Georgia Department of Commerce and the Area Redevelopment Administration in Washington. To prepare this Overall Economic Development Program (OEDP), many people worked as teams and individuals to collect data on the county's resources, assets and liabilities.

With some assistance from the Middle Georgia Electric Membership Corporation, the Dooly County OEDP was completed and approved.

Thus, the groundwork had been laid when word reached Dooly County

that a textile firm was interested in establishing a branch plant in the area. It requested from Dooly County a labor survey.

The survey was conducted by a local high school teacher and some of her pupils. Radio, newspapers, and much conversation helped. So did a gift of free transportation from interested persons. It was discovered that 600 persons were available for, and desired, work.

Stock was offered for sale to the general public at \$100 per share, and \$25,000 was raised. A desirable site was located and purchased. Middle Georgia Electric Membership Corporation donated \$2,000 toward its purchase. The county governing board graded and improved the property. The City of Vienna extended water and sewage facilities.

This is how—and why—Vienna is obtaining its first industry.



## IN CONCLUSION

From the case histories presented above, it should be apparent that:

- The problem of restoring rural areas to economic health requires a multitude of tools.
- Some of them, including Federal legislation, are already in existence.
- The most valuable tool is the interest and informed diligence with which residents of areas in economic difficulties tackle their problems.
- REA borrowers and others concerned are making worthwhile strides in assisting rural areas development.
- Much more has to be done, by individuals and by public and private groups, before rural America can be restored to health.
- But it can be done.





## Rural Areas Get Housing Aid for Senior Citizens

Senior citizens—those over 62 years of age—constitute the fastest growing segment of the Nation's population. They now number more than 21,000,000 individuals. By 1980 this statistic is expected to stand at 30,000,000.

While the general population of the country increased 19 percent between 1950 and 1960, senior citizen population increased 35 percent, and the age group 85 years or older increased an astonishing 61 percent. New life expectancy tabulations indicate the many senior citizens will live twenty or more years beyond retirement age.

More than one-third of this senior citizen population lives in rural areas.

These are some of the bedrock facts behind the vigorous program of providing suitable housing for senior citizens in rural areas which has been launched by the United States Department of Agriculture through loans made by the Farmers Home Administration. The speed with which this program is being implemented is indicated by the fact that President Kennedy signed the Senior Citizens Housing Act into law on September 28, 1962, and the first loan under its provisions was closed on October 30, 1962, scarcely more than a month later.

The 87th Congress stated the intent of the Act in the following language:

"The Congress finds that there is a large and growing need for suitable housing for older people both in urban and rural areas. Our older citizens face special problems in meeting their housing needs because of the prevalence of modest and limited incomes among the elderly, their difficulty in obtaining long-term home mortgage

credit, and their need for housing planned and designed to include features necessary to the safety and convenience of the occupants in a suitable neighborhood environment."

The first loan under the Senior Citizens amendment was made to Mr. and Mrs. C. M. Montgomery. The purpose of the \$6,210 loan was to enable the Montgomerys to build a new, modern one-story, two-bedroom-and-bath home on a site near Attalla, Alabama. The loan was closed at ceremonies held on October 30, 1962, at the local high school.

Mr. and Mrs. Montgomery are both 64 years old. He is a retired steel construction worker who started out during World War I by helping build Fort McClellan. The home presently occupied by this elderly couple is over 100 years old; is part of an old country post office; repairs are no longer practicable. The Montgomerys present a typical case of the need of rurally resident senior citizens for modern, safe housing, and the help of their Government in obtaining it. Their income is minimal, being derived principally from social security and a small pension reflecting the loss at sea of their son during World War II. They have three other children, all married. One daughter, a widow, works to support her eight children. This loan will enable the Montgomerys not only to live out the remainder of their lives safely and comfortably, but will keep them in the community where their roots are deep and where they have staunch friends.

Surveys indicate that the senior citizens in rural areas are usually in low income brackets. About half have





*Jeff Morgan, left, FHA county supervisor, helps Mr. and Mrs. C. M. Montgomery of Attalla, Alabama, plan their new home. It will be financed by a \$6,210 loan under terms of the Senior Citizens Housing Act.*

can obtain the needed credit from other sources. However, few established lending agencies find the rurally resident senior citizen an attractive credit risk because of his low income, advancing age, and diminished earning capacity. But as this program expands, it is expected that, within a few years, local bankers will pick up and refinance many of these loans, and that they will become assets in the loan portfolios of the banks.

The senior citizens housing program will make an important and direct contribution to rural areas development. Construction will provide jobs for carpenters, electricians, bricklayers, plumbers, and others in the building trades. Local businessmen will benefit from increased sales of building materials, appliances, and accessories. The impact on the local economy of loans made for rural housing was clearly revealed by a study made recently of FHA loans totaling \$281,906 in Marshall County, Alabama. It was found that the "dollar multiplier" effect of these loan funds on the economy of the County was in excess of a million dollars.

incomes of less than \$2,000 annually, and many have incomes of less than \$1,000 a year. They have unique social, economic, and health problems. Studies indicate that 80 percent of these elderly people live in homes 30 years old, and half of them live in homes 50 or more years old.

Under the Senior Citizens Housing Act, persons 62 years of age and over have three special advantages in obtaining loans: First, they may now buy previously occupied existing housing as well as build or improve their homes. Second, they can use a loan to finance the cost of the building site as well as the dwelling; younger families must own the land on which to build a home before they can obtain a loan. Third, when senior citizens do not have enough repayment ability, they may use co-signers to assume loan payments. The loans bear interest at the rate of 4 percent, and may be paid back over a period not to exceed 33 years.

Loans are not made under this amended legislation to applicants who

The challenge of providing modern, safe housing for senior citizens in rural areas is extensive. Many of the houses they occupy are old and termite-ridden. They lack bathrooms, and water for drinking and cooking has to be carried from distant wells. Rickety steps, drafty rooms, and overloaded electric wiring constitute health and safety hazards. It is estimated that 29 percent of the houses in rural areas either need major repairs or are so dilapidated that they should be replaced. While senior citizens do not occupy all of this substandard housing, their proportionate occupancy is greater than their proportionate numbers in the rural communities.

## Administrator's Message (Continued from page 2)

1. These 271 borrowers reported they had helped 162 commercial or industrial projects get into construction or operation since January 1961. If additional responses follow this trend, the survey will show some 850 industrial and commercial projects launched with some kind of assistance from REA borrowers during the past 16 months.

2. The 162 reported projects will provide employment for more than 10,000 rural workers. This is based on an average of 65 jobs created for each project on which borrowers were able to help. If applied to the 850 industrial and commercial projects estimated, this would mean the creation of 53,000 jobs. Experience indicates that this number of projects and jobs would result indirectly in another 40,000 rural jobs.

Where did the capital come from for these reported projects? Five involved REA Section 5 funds—a total of \$337,068. Section 5 funds were involved in about 3 percent of the reported projects.

*ARA loan funds:* borrowers reported six of the projects used ARA funds, and these totaled \$821,055.

*SBA funds:* borrowers reported nine projects using a total of \$645,373 in SBA loans. These known cases represent a little over 6 percent of the 162 reported projects.

Sources of financing were known to be entirely local and private in 70 of the projects. These represent a total investment in excess of \$29,000,000 or more than \$400,000 per enterprise.

When we trace this financing down to its various sources, we arrive at these approximate totals for the 162 projects:

from REA, in Section 5 loans	\$ 337,000
from ARA, no more than	1,000,000
from SBA sources, no more than	2,000,000
from private or other financing, about	40,000,000

If we extend these averages to all REA borrowers, the estimated 850 projects would involve some \$250 million from private and other local financing, and only a little over \$1 million from REA Section 5 loans. Bankers with whom we have been working are beginning to appreciate, we believe, both the nature of our work and the "seed money" role of our Section 5 funds in making it possible for other investors to provide capital for these local enterprises.

Far more numerous are the projects which REA and its borrowers helped local people get started *without* REA financing: the firm that makes church furniture in Kentucky, the hospital in Indiana, the leather plant in Pennsylvania, the cattle testing project in Texas, and others. Except for staff time, not a nickel of REA money has gone into these many, many, fine new projects.

These success stories and examples of local development activities tell in part what happens when imaginative leadership and effective energy are brought to bear on rural needs.

**Norman M. Clapp**  
Administrator, REA

# FEDERAL ACT AUTHORIZES \$300 MILLION TO IMPROVE FACILITIES IN RURAL AREAS

One of the most important of all new Federal laws affecting rural areas development is the Public Works Acceleration Act (Public Law 87-658).

It was passed because Congress found that "certain communities and areas in the Nation are presently burdened by substantial unemployment and underemployment." and because "action is necessary by the Federal Government . . . to help these communities, through improvement of their facilities, to become more conducive to industrial development and better places in which to live and work."

The Act authorized total funds of \$900 million, of which not less than one-third must be allocated to rural areas or small communities. These funds may be used only for publicly owned projects:

1. Which can be initiated or accelerated within a reasonably short period of time;

2. Which will meet an essential public need;

3. A substantial portion of which can be completed within 12 months after initiation or acceleration;

4. Which will contribute significantly to the reduction of local unemployment; and

5. Which are not inconsistent with locally approved comprehensive plans for the area, wherever such plans exist.

Under the Act, grants-in-aid by Federal departments and agencies can be made for up to 50 percent of the cost of a project, without regard to previous laws limiting Federal financial assistance to less than 50 percent. In cases where the State or local govern-

ment does not have the economic and financial capacity to assume all of the additional financial obligations required, the Federal share can be increased to 75 percent.

Projects of the following type are eligible:

1. Direct Federal works already authorized by Congress, such as public buildings; flood control, river and harbor projects of various kinds; roads and trails; reforestation and range improvements on public lands.

2. Existing Federal financial assistance programs, such as airports, hospitals, waste treatment systems, and other community facilities.

School construction is excluded.

The new program will operate through existing Federal agencies, using their established procedures.

Direct Federal construction activities will be conducted by the agencies that have basic authorization for such work.

In the case of existing Federal-aid programs, application should be made by State and local governments to the respective Federal agencies normally administering such programs.

To obtain new community facility grants authorized by the Accelerated Public Works program, application should be made to the Community Facilities Administration of the Housing and Home Finance Agency.

Further information is available from REA's RAD staff, which reports that borrower-supported grant applications have already been approved for water systems, sewage facilities, and hospitals.



## How and Where To Get Help For Better Rural Living



For a rural community to regain vitality and strength, certain steps must be taken.

First, the community must realize that it is truly in difficulties. It must understand that the departure of its youth, the decline in its population, the diminishing of business in its stores, the decrease in the number of family farms, the removal of electric meters are not passing trends. They are tied in with long-range economic developments that can be reversed only by assiduous effort on the part of all residents.

Second, the community must examine, with a cold and impartial eye, both its assets and obstacles for agricultural, recreational, residential, and industrial growth. If the farm products produced in the area are not selling, or are not being processed locally, it must consider why they are not selling, and whether a local processing plant can be established. It must examine the quantity and quality of what manpower it has available for industry, and of its natural resources—which may comprise a lake suitable for recreation as well as the amount of land available for grazing, the nature of its soil, power sources, and numerous other factors.

Among those factors it must not fail to consider are sewage and water facilities, hospitals, airports, nearness to transportation, and the quality of its schools. Industry is highly selective these days; it will not establish itself in a rural area unless most of these factors are to its liking.

Third, the community must then draft a balance sheet of these assets and liabilities. If the community is located in an area designated as eligible for assistance under the Area Redevelopment Act, writing down such a balance sheet (called an "Overall Economic Development Plan"—OEDP) is required if assistance is requested of ARA. It must be submitted to the State and Federal Government before any action can be taken. But such a step is wise even for a non-designated area. Many State and local institutions, including State colleges, Chambers of Commerce, and local representatives of Federal agencies are available for assisting in this research.

Fourth, the community must examine and utilize all local sources for credit and other assistance.

Fifth, the community must be aware, if only in a general way, that many Federal agencies are authorized to give them assistance in meeting their



needs, provided, of course, that local resources are exhausted and that the projects are practical.

If people need to be retrained, provisions of the Area Redevelopment Act and the Manpower Development and Training Act are there to help pay for facilities, faculty, training material, and even transportation and subsistence.

Federal financing is available for sewage and water systems. If, for instance, a community in a "designated" area needs a \$200,000 water system, it might be able to obtain a grant for half that amount under the Public Works Acceleration Act, and borrow the remainder from the Community Facilities Administration (payable in 40 years at  $3\frac{7}{8}$  percent interest).

If a farmer (or group of farmers) desires to develop the recreation potential of his land, he can obtain capital from the Farmers Home Administration under provisions of the Consolidated Farmers Home Administration Act.

The FHA can also finance housing

for the elderly in the community. This may take the form of direct loans to senior citizens who wish to finance homes of their own, loans to non-profit organizations which desire to finance housing for the elderly, or insurance for loans to profit organizations or individuals who desire to provide housing for the elderly on a commercial basis.

And REA itself, under Section 5 of the RE Act, can make loans, through its electric borrowers, for the purchase of electrical machinery that will build loads for them.

Finally, the community must build its own strong local organization—usually in the form of a Development Committee—that will consult extensively and intensively with county FHA supervisors. Forest Service agents, county Extension agents and others in order to tap their resources of skill, experience and information. With their assistance, it is not difficult for community leaders to find their way through the so-called labyrinth of Federal resources.

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## THIS MONTH

### *3 RAD Projects Moving on Many Rural Fronts*

*3 Lumber Processing*

*5 Farm Products*

*8 Small Industry*

*10 Recreation and Tourism*

*13 Community Facilities*

*14 Manpower Training*

*15 Community Response*

*17 In Conclusion*

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*21 Federal Act Authorizes \$300 Million To Improve Facilities in Rural Areas*

*22 How and Where To Get Help for Better Rural Living*

## *For further information . . .*

Any REA borrower can obtain advice on RAD projects of any kind directly from REA field personnel or by writing the Rural Areas Development Staff, REA, Washington 25, D. C.

Assistance is also available through the county FHA supervisor, who chairs the RAD Technical Action Panel which coordinates Department of Agriculture aid in the area. The local county agent generally has complete information on help available from the county RAD committee.

The Office of Rural Areas Development, U. S. Department of Agriculture, Washington 25, D. C., will direct any request for RAD aid to the best possible source.

National, regional, and branch offices of the Department of Agriculture, Department of Commerce, Department of Labor, Department of Health, Education and Welfare, Small Business Administration, Community Facilities Administration, Department of the Interior, and other Federal organizations can also be contacted directly for aid in their respective fields.

State Universities, Extension Directors, and FHA Directors can be consulted for help on many RAD problems.